

MOTOR FUELS UPDATE

DEPARTMENT OF REVENUE



Volume 11, Edition 2

Semiannually

October 2001

Progress Report

REFUND CLAIMS

This table shows refund claims processed during the period of July 1, 2000 through June 30, 2001. During this period, we processed 1,786 claims resulting in total refunds of \$2,110,700. During the same period the previous fiscal year, we processed 1,503 claims resulting in total refunds of \$1,739,460.

	DOLLAR AMOUNTS REFUNDED				
	Gas/Gasohol	PRF	Diesel	Aircraft	Total
Agriculture Related	\$0	\$0	\$61,851	\$0	\$61,851
Agriculture – Form 84AG	0	0	524,787	0	524,787
Blending Error (contaminated fuel)	1,024	0	15,506	0	16,530
Construcion	0	0	472,981	0	472,981
Equipment (loader, etc)	0	0	208,656	0	208,65
Ethanol Production	0	82,935	0	0	82,935
Exported Fuel	598	12,984	2,020	0	15,602
Federal Government	162,207	2,471	17,993	8,351	191,022
Government (non-highway)	0	0	89,913	0	89,913
Home Heating	0	0	42	0	42
Motor Vehicle Fuels Used as Aviation	8,355	0	0	0	8,355
Reefer	0	0	301,032	0	301,032
Sand & Gravel, etc.	0	0	122,299	0	122,299
Other	0	0	14,695	0	14,695
Totals	\$172,184	\$98,390	\$1,831,775	\$8,351	\$2,110,700

AUDITS

These tables summarize the audits completed since Motor Fuels Division's inception in July 1991. The large increase in dollars assessed in 1993/1994 for both gasoline and diesel resulted from one audit. The decrease in both the number of audits conducted, as well as the dollars assessed in 2000/2001, is a result of either a few audits

Tax Program	NUMBER OF AUDITS BY TAX PROGRAM BY FISCAL YEAR									
	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01
Consumers Use	0	8	7	8	13	6	0	0	1	0
Liquid Fuel Carriers	0	0	0	0	2	4	5	3	3	3
Motor Vehicle Fuels	1	8	38	36	45	45	63	54	46	45
PRF	0	2	25	21	26	34	41	30	31	25
Aircraft Fuels	0	1	7	5	6	9	15	4	9	4
Compressed Fuels	0	0	0	2	13	13	19	27	16	22
Terminals	0	0	0	0	0	0	0	0	3	0
Gas Tax Credit	0	8	6	4	6	6	2	5	8	4
Retailers	0	0	0	0	8	13	12	11	8	7
Sp Fuels/Diesel	9	50	65	64	63	56	62	65	51	50
Totals	10	77	148	140	182	186	219	199	176	160

Tax Program	TAX ASSESSED BY FISCAL YEAR							
	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99
Consumers Use	\$0	\$12,405	\$(50)	\$(21,629)	\$118,906	\$14,029	\$0	\$22,271
Motor Vehicle Fuels	0	63,907	1,102,737	53,849	44,959	225,560	312,496	230,231
PRF	0	1,684	20,993	26,173	92,732	10,840	7,657	(4,643)
Aircraft Fuels	0	0	3,604	0	(1,386)	919	(405)	4,460
Compressed Fuels	0	0	0	0	0	10,908	705	15,437
Gas Tax Credit	0	6,685	(132)	3,318	12,145	(191,385)	66	(64,247)
Retailers	0	0	0	0	0	0	(3,590)	13,341
Sp Fuels/Diesel	41,409	80,864	1,676,642	275,150	284,521	184,519	56,892	120,946
Totals	\$41,409	\$165,545	\$2,803,794	\$336,861	\$551,877	\$255,390	\$373,821	\$315,525

which required a significant number of audit hours or audits with substantial credits. In addition, a sizable number of audits resulted in no changes to the reported figures, reflecting an increase in overall compliance with motor fuels law.

NOTE: These numbers do not include audits of the ethanol producer's credit program.

I N S I D E

- **Ethanol Production Credit**
- **Dyed Fuel Assessments**
- **Employee News**
- **Paper Filers**
- **Cash Bond Committee**
- **What's New or Changed**

PROGRESS REPORT (CONT.)

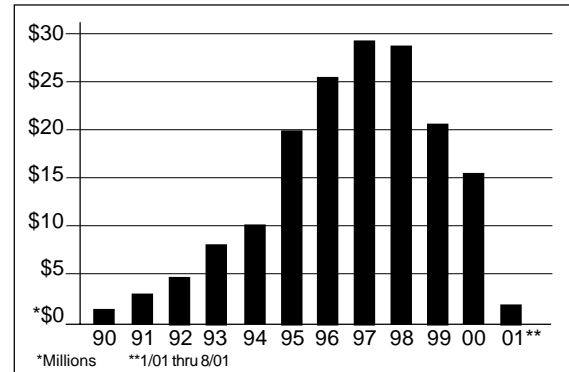
ANNUAL STATS

This table shows the gallons and dollars reported on taxpayer returns. It does not reflect refunds, audits, etc.

Year	GASOLINE & GASOHOL		DIESEL	
	Gallons	Tax	Gallons	Tax
1991	739,779,599	\$171,413,194	184,069,676	\$44,457,323
1992	756,633,169	167,247,079	204,081,641	47,123,036
1993	780,044,137	180,456,542	218,053,008	51,580,674
1994	756,064,292	178,484,240	228,490,205	55,638,287
1995	825,530,818	195,946,147	248,461,579	59,863,691
1996	823,709,762	205,852,173	257,268,846	65,652,081
1997	836,837,567	202,761,093	288,032,081	71,182,594
1998	855,601,075	196,488,973	316,847,281	74,253,585
1999	868,961,738	198,821,480	342,368,345	79,935,573
2000	870,394,963	\$202,342,801	345,504,721	\$82,178,507

ETHANOL PRODUCTION CREDIT

Our refund section also processed claims for the Nebraska Ethanol Production Credit. These monthly claims establish the amount of the production credit earned by the ethanol producers and assigned by them to the various Nebraska motor vehicle fuels tax licensees. Ethanol production in Nebraska had dramatically increased in 1995-1997. There are currently seven ethanol plants in production in the state. Through December 31, 2000, ethanol producers could qualify to receive a 20-cent per gallon credit on a maximum of 25 million gallons of ethanol produced in Nebraska each year. Certain plants are also eligible for a 7.5-cent per gallon credit for production occurring from June 2000 through December 2003. During the 2001 legislative session, the passage of LB536 created an 18-cent per gallon credit, which is available from January 2002

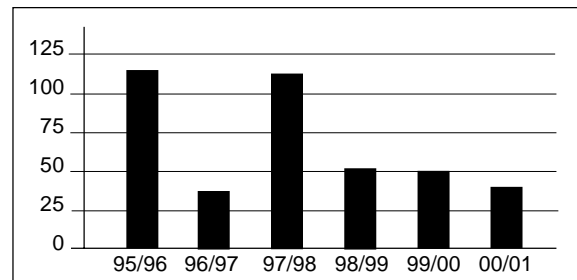


through June 2012. As shown in the graph, the corresponding credits have grown from just over \$1,000,000 in 1990 to a peak of just under \$30,000,000 in 1997 and have been declining since as some ethanol plants reach the end of their eligibility period.

DYED FUEL ASSESSMENTS

This graph reflects the number of dyed fuel assessments issued each fiscal year. During the past couple of years, the number of annual inspections was approximately 9,500.

The amount of the penalty assessed by the State of Nebraska ranges from \$250 to \$2,500, depending upon the number of violations incurred over a five-year period. Each violations is also subject to an additional \$1,000 penalty that can be issued by the Federal Internal Revenue Service.



EMPLOYEE NEWS

Congratulations! *Chris McGovern* was honored as the “Motor Fuels Employee of the Year.” Chris is our Administrator’s Secretary. Chris’ consideration, warmth, and helpful attitude make her an exceptional employee. She has the ability to coordinate multiple activities at once and keep in constant communication with people of changes and updates. Her ever present smile and determination to help create a very comfortable environment for our staff.

Welcome Back! *Rick Lockhart* is once again an employee of Motor Fuels. Some of you may remember Rick as an Account Representative. Rick’s current duties involve the tracking of motor fuel transactions. We are very fortunate to have Rick back in Motor Fuels.

Goodbye! *Abby Miller* has resigned from Motor Fuels. We miss Abby and wish her the best of luck in the future!

PAPER FILERS

Are you currently filing a **paper** Nebraska Motor Fuels Tax Return, Form 73?

The December 2001 Nebraska Motor Fuels Tax Return, Form 73, will be your final paper return. The January 2002 and all following returns must be filed via Electronic Data Interchange (EDI). Paper returns will be eliminated.

Are you ready for this transition?

Most are, however, we realize that some of you have not yet decided how you will comply with this EDI filing mandate.

For those of you who have not decided, you must choose from one of three options:

1. File your January 2002 and subsequent returns via EDI,
2. Provide the necessary information to a third party who will file your returns via EDI on your behalf, or
3. Cancel your distributor's or wholesaler's license effective December 31, 2001 and purchase your January 2002 and all future fuel tax paid from your supplier.

While we cannot advise you as to which option is best for you, we will briefly discuss each in turn.

OPTION 1

We are currently aware of four commercial software providers that can provide you the necessary software to file EDI. They are:

Advanced Digital Data System
5790 S. Semoran Blvd.
Orlando, FL 32822
Phone: 407.380.5000 Ext. 3207
Contact Person: Mike Barrett
E-Mail: barrettm@addsys.com

Aztech Software, Inc.
1809 56th Avenue
Greeley, CO 80634
Phone: 800.779.8324
Contact Person: Pam Hoag
E-Mail: aztech@aztechsoftware.com

HCPS, Inc.
104 Hwy. C, P.O. Box 69
Licking, MO 65542
Phone: 573.674.3703
Contact Person: Tim Otten
E-Mail: tim_otten@hcps.net

ZyTax
1580 West Frontage Road
DePere, WI 54115
Phone: 800.508.3001
Contact Person: Kay Ullmer
E-Mail: kay.ullmer@zytax.com

Because their costs and services vary, you are urged to contact each to determine which will be best for you. For this option you must have a computer, or at least access to a computer upon which you can load the necessary software. When considering the costs involved, remember **state statutes stipulate the commission is allowed to offset the cost of collecting and remitting the tax.** The statutes specifically state:

"In lieu of the expense of remitting thefuel tax and complying with the statutes and rules and regulations related thereto, every supplier, distributor, wholesaler, or importer shall be entitled to deduct and withhold a commission....."

You also have the option to create your own software or have someone else create the software for you. You do not need to use one of these providers. You must ensure that your transmission is in accordance with the criteria set out in our Software Development Guide located on our

Web site at **http://www.revenue.state.ne.us/fuels/software/develop.htm**.

OPTION 2

If you do not have a computer or sufficient access to allow Option 1 and you wish to retain your distributor's or wholesaler's license, one software provider, ZyTax, can file your returns electronically. It is our understanding that they will encode and transmit your data via EDI subsequent to you providing them the necessary schedule information. Please contact ZyTax (see Option I for address) to discuss the particulars as to how this could apply to your business and their fees. Remember, you remain responsible for timely filing of the returns and payment of all taxes.

OPTION 3

If the cost of compliance is a concern, possibly the best option may be for you to cancel your distributor's or wholesaler's license and purchase your fuel "tax paid" from your supplier. If you choose this option, your license status will revert to that of a retailer. As such, you will have no periodic reporting requirements, however, you will be required to maintain certain records and will be subject to Department field record reviews. Before you consider choosing this option, you are encouraged to contact your Account Representative to ensure the retailer license will allow you to continue your current operations. There are certain situations, such as if you import fuel into Nebraska, where you must maintain your license.

CASH BOND FUND OVERSIGHT COMMITTEE

The Cash Bond Fund Committee met on August 23, 2001. The new members **Dan Hergert** of Hergert Oil Co., **Marcia Fries** of All Points Cooperative, and **Bryan Daum** of Battle Creek Coop with the current members **Mark Whitehead**, **Fred Bosselman, Jr.**, **Tim Keigher**, and **Bill Lucke** discussed the current collection process. No claims were made against the fund.

It is anticipated the fund will reach one percent of the previous year's receipts sometime in the summer of 2002. This will return commissions to the full amount.

WHAT'S NEW OR CHANGED

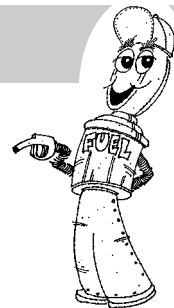
The new Motor Fuels regulations are in the final stages of approval. Once approved they will appear on the Motor Fuels Web site.

Nebraska Department of Revenue new Web site is:
<http://www.revenue.state.ne.us>.

Nebraska Motor Fuels Division new Web site is:
<http://www.revenue.state.us/fuels/index.htm>.

MOTOR FUELS TAX

The Nebraska motor fuels tax for **July 1, 2001** thru **December 31, 2001** is **24.5 cents** per gallon.



FOR MOTOR FUELS TAXPAYER ASSISTANCE

Call your account representative or toll free 1-800-554-FUEL (1-800-554-3835).

Lincoln residents call 471-5730.

For *TT (Text Telephone), dial 1-800-382-9309.



*Telecommunication Device for the Deaf (TDD) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.

OR CONTACT:

Motor Fuels Division
301 Centennial Mall South
P.O. Box 98904
Lincoln, NE 68509-8904

<http://www.revenue.state.ne.us/fuels/index.htm>

If you have received a duplicate mailing or would like to subscribe, please call 1-800-554-3835

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Subscriptions are free

Published Quarterly by the
Motor Fuels Division
P.O. Box 98904
Lincoln, NE 68509-8904

Lincoln, Nebraska 68509-8904



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